

Case study business ethics

[Business](#)



**ASSIGN
BUSTER**

Comment on Piech's neglect in not telling the board about Porsche buying Volkswagen shares. What is the significance of this event? During a Volkswagen supervisory meeting on April 19, 2006, some of the board members asked for the reason on the dramatic changes on the price of Volkswagen shares. Unfortunately, there was no answer on this matter. Piech was the one who knew about Porsche buying Volkswagen shares and purposely not informed to the board members of Volkswagen.

The price of shares increased was due to Porsche keep buying the Volkswagen shares.

Piech stated that he kept quiet on the increasing of the price of Volkswagen shares because he did not want the price of Volkswagen shares to increase much more higher. It is unethical behavior that done by Piech. Piech should inform the board members of Volkswagen as they can find a strategy to prevent the share price grows up abnormally. The board members have the right to be well informed on the reason of changes on the shares price. The significance of this event is the drastically increase in the price of Volkswagen shares.

Porsche tends to buy the Volkswagen shares as much as possible in order to increase the price of Volkswagen shares. Porsche would like to increase the price of Volkswagen shares in order to direct the Volkswagen shareholders that Porsche want to takeover Volkswagen. It then makes sense to the public that Porsche want the share of Volkswagen. From here, Porsche shorted huge amounts of Volkswagen shares by borrowing from the existing owners. Then, Porsche started to sell it to earn the money and buy back the shares when the price dropped.

<https://assignbuster.com/case-study-business-ethics/>

It results Porsche earned a large amount of profit by short selling the shares. As Porsche acquired a large amount of Volkswagen shares, Porsche became the Volkswagen's largest shareholder. The Economist. (2008). How Porsche fleeced hedge funds and roiled the world's financial markets. Retrieved from [http://www.](http://www.economist.com/node/12523898)

[economist.com/node/12523898](http://www.economist.com/node/12523898). Bloomberg. (2012). Piech Crowns 20-Year VW Turnaround With Porsche Takeover. Retrieved from [http://www.](http://www.bloomberg.com/news/2012-07-05/piech-crowns-20-year-vw-turnaround-with-porsche-takeover-cars.html)

[bloomberg.com/news/2012-07-05/piech-crowns-20-year-vw-turnaround-with-porsche-takeover-cars.html](http://www.bloomberg.com/news/2012-07-05/piech-crowns-20-year-vw-turnaround-with-porsche-takeover-cars.html)